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A Professional Limited Liability Company

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Monica R. Borne

EllenAnn G. Sands

July 19, 2000

REC'D TN
REGULATORY AUTH
JUL 27 AM 8 36
OFFICE OF THE
EXECUTIVE SECRETARY

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

00-00662

Re: Application for approval of an Agreement and Plan of
Merger between Coyote Network Systems, Inc. and
Group Long Distance, Inc.

Dear Sir or Madam:

On behalf of Coyote Network Systems, Inc. and Group Long Distance, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is the requisite \$25.00 filing fee.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided as evidence of the filing.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,



EllenAnn G. Sands

EAS/rph
Enclosures

POSTED
7-27-00

BEFORE THE REGULATORY AUTHORITY

STATE OF TENNESSEE

REC'D TN
REGULATORY AUTH.

'00 JUL 27 AM 8 36

APPLICATION FOR APPROVAL
OF AGREEMENT AND PLAN OF
MERGER BY AND AMONG
COYOTE NETWORK SYSTEMS, INC.,
COYOTE - GLD ACQUISITION, INC. AND
GROUP LONG DISTANCE, INC.

OFFICE OF THE
EXECUTIVE SECRETARY

CASE NO.

00-000000

JOINT APPLICATION

Coyote Network Systems, Inc. ("Coyote") and Group Long Distance, Inc. ("GLD"), pursuant to the applicable statutes of the State of Tennessee and the Regulatory Authority's Rules and Regulations currently in effect and/or subsequently enacted, hereby jointly request Commission approval of an Agreement and Plan of Merger¹ (the "Agreement") whereby a wholly owned subsidiary of Coyote, Coyote-GLD Acquisition, Inc. ("Merger Sub"), will merge with and into GLD with GLD continuing as the surviving entity (hereinafter, the "Acquisition").

As a result of the merger, Coyote will acquire all of the issued and outstanding shares of GLD's common stock for equitable consideration. After the transaction, GLD will continue to operate, in all material respects, as it currently operates. The technical, managerial and financial personnel of Coyote, in addition to various current GLD employees, will become the technical, managerial and financial personnel of GLD after

¹ A copy of the Agreement is attached hereto as Exhibit "A."

this transaction.² GLD will continue to provide service under its present operating authorities, certifications and tariffs.

Coyote and GLD hereby jointly seek Commission approval of the Agreement which will result in a change in ownership of the capital stock of GLD. Commission approval of the Agreement will be beneficial to the involved companies as well as their customers, primarily due to the enhanced overall financial strength of the combined companies which will result from the transaction. Approval of the Agreement will not in any way be detrimental to the public interests of this state. The customers of GLD will continue to receive the same high quality service presently rendered to them, and there will not be any increase in their rates due to this transaction.

In support of this Application, Applicant shows the following:

I. THE PARTIES

1. GLD is a publicly held Florida corporation with principal offices located at 6600 North Andrews Avenue, Suite 140, Fort Lauderdale, Florida 33309. GLD is a non-dominant carrier that is authorized to provide intrastate, interstate and international long distance and local exchange services.

2. GLD is authorized by the FCC to provide interstate and international services as a non-dominant carrier as well as local and intrastate interexchange service, pursuant to certification, registration or tariff requirements in fifty (50) states. GLD is a certificated carrier in this state.³

² Resumes of Coyote's current management team are attached hereto as Exhibit "B."

³ GLD provides telecommunications services in this state pursuant to Docket No. 96-00767, dated October 10, 1996 and Docket No. 97-01426, dated July 2, 1998.

3. Coyote is a publicly held Delaware corporation with principal offices located at 4360 Park Terrace Drive, Westlake Village, CA 91361. Following this transaction, Coyote will move its principal place of business to 1640 S. Sepulveda Boulevard, Suite 222, Los Angeles, California 90025.

4. Coyote is a holding company which does not directly provide telecommunications services, but owns and operates various wholly-owned subsidiaries that provide intrastate, interstate and international long distance services.

5. Merger Sub is a Florida corporation which is a wholly owned subsidiary of Coyote. Merger Sub was formed strictly for purposes of effectuating the Acquisition. In connection with the Acquisition, Merger Sub will merge with and into GLD and GLD will continue to provide service under GLD's present operating authorities, certifications and tariffs.

6. The practical effect of the merger will be the acquisition by Coyote of all of the outstanding and issued shares of GLD's common stock for equitable consideration. After the transaction, GLD will continue to operate, in all material respects, as it currently operates. GLD will continue to operate as a regulated entity pursuant to its present certifications, registrations, tariff requirements and rate structures.

II. DESIGNATED CONTACT

7. The designated contact for questions concerning this Application is:

EllenAnn G. Sands
Nowalsky, Bronston & Gothard, APLLC
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002

Telephone: (504) 832-1984
Facsimile: (504) 831-0892

with copies to:

Tim Atkinson
General Counsel & Vice President
of Business Development
Coyote Network Systems, Inc.
1540 S. Sepulveda Blvd., Suite 222
Los Angeles, CA 90025

Sam Hitner
Chief Financial Officer
Group Long Distance, Inc.
6600 N. Andrews Ave., Suite 140
Fort Lauderdale, FL 33309

Joseph E. Carpenter
Joseph E. Carpenter, Jr., P.A.
6682 N.W. 16th Terrace
Fort Lauderdale, FL 33309

III. REQUEST FOR PERMISSION TO CONSUMMATE THE AGREEMENT

8. At the present time, GLD is a regulated entity providing local as well as intrastate, interstate and international services to its customers. By virtue of this transaction, and the resulting association of the two (2) corporate entities, the combined companies will realize significant economic, marketing and administrative efficiencies. Copies of financial statements for Coyote are attached to this Application as Exhibit "C".

9. The parties submit that the Acquisition will accomplish the following:

- (a) Coyote will acquire all of the issued and outstanding shares of the stock of GLD by virtue of the merger of Merger Sub with and into GLD;
- (b) As a result of the transaction, GLD will become a wholly owned subsidiary of Coyote; and

- (c) GLD will continue to operate as a regulated entity pursuant to its present certifications, registrations, tariff requirements and rate structures as provided by and pursuant to applicable law.

10. It is respectfully represented herein that the transfer of stock as outlined above will be made for fair and equitable consideration to the stockholders of GLD.

11. The technical, managerial and financial personnel of Coyote, in addition to various current GLD employees, will become the technical, managerial and financial personnel of GLD after the transaction, and GLD will continue to provide service to its customers with the same high level of expertise currently in place.

12. The practical effect of the transaction is a change in ownership of the common stock of GLD. GLD will continue to operate in all material respects as it presently operates. The Acquisition will be seamless and transparent to the customers of GLD. As a result, the customers of GLD will in no way be adversely impacted by the Acquisition.

IV. PUBLIC INTEREST CONSIDERATIONS

13. Critical to the Acquisition is the need to ensure the continuation of high quality service to all customers currently served by GLD. The Acquisition will serve the public interest for the following reasons:

- (a) First, it will enhance the operating efficiencies, including market efficiencies, of the combined companies.
- (b) Second, it will increase the appeal to present and potential customers as communications services will be provided in a more cost-effective manner due to greater buying power and lower transport costs.
- (c) Finally, it will allow the combined companies to provide a broader array of services to customers at competitive prices.

14. Accordingly, the Acquisition will serve to create a heightened level of operating efficiency and expanded service offerings which generally will serve to enhance the overall capacity of the combined companies to compete in the marketplace and to provide telecommunications services for customers in this state at competitive rates.

V. EXPEDITED TREATMENT

15. Applicants request expedited review and disposition of the instant Application in order to allow Applicants to consolidate their respective operations as soon as possible.

VI. CONCLUSION

17. WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission, on an expedited basis, approve the Agreement and authorize Coyote and GLD to consummate the Acquisition described above.

DATED this 19th day of July, 2000.

Respectfully submitted,

By:



EllenAnn G. Sands
Nowalsky, Bronston & Gothard, APLLC
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Facsimile: (504) 831-0892

Counsel for Coyote Network Systems,
Inc. and Group Long Distance, Inc.

STATE OF Florida

COUNTY OF Broward

VERIFICATION

I, Glenn Koach, am the President of Group Long Distance, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: _____

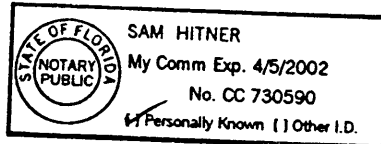
Name: Glenn Koach

Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 11th day of July, 2000.

Notary Public

Sam Hitner



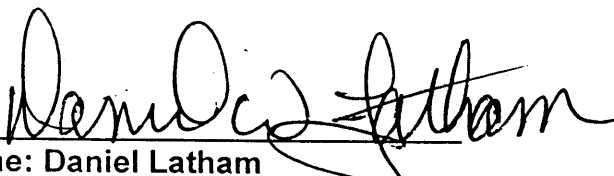
My commission expires: _____

4/5/2002

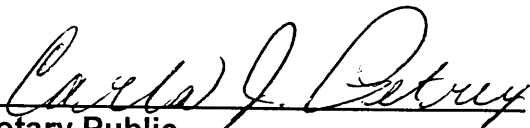
STATE OF California
COUNTY OF Los Angeles

VERIFICATION

I, Daniel Latham, am the President and CEO of Coyote Network Systems, Inc. and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Daniel Latham
Title: President and CEO

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 19th day of July, 2000


Notary Public

My commission expires: 2/9/01

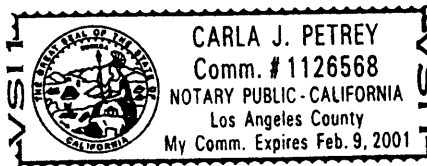


Exhibit "A"

Asset Purchase Agreement

ASSET PURCHASE AGREEMENT

BETWEEN

INET Interactive Network System, Inc.,
a California Corporation

AND

Group Long Distance, Inc.,
a Florida Corporation

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, entered into as of April __, 2000, is by and between INET INTERACTIVE NETWORK SYSTEM, INC., a California corporation ("INET"), and GROUP LONG DISTANCE, INC., a Florida corporation ("GLD"). INET and GLD are referred to collectively as the "Parties."

This Agreement contemplates a transaction in which INET will purchase certain GLD assets in return for cash and a promissory note.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Acquired Assets" means all of GLD's right, title, and interest in and to the Customer Base.

"Closing" has the meaning set forth in section 2(d) below.

"Closing Date" has the meaning set forth in section 2(d) below.

"Confidential Information" means any information concerning the businesses and affairs of GLD that is not already generally available to the public.

"Customer Base" means the GLD customers identified by specific partition and billed by TALK under the Matrix site numbers set forth on Exhibit A attached hereto.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency but taking into account the fact that GLD is not undertaking new marketing efforts).

/ "Party" has the meaning set forth in the preface above.

"Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Purchase Price" has the meaning set forth in section 2(b) below.

"Services Agreement" means the Services Agreement between INET and GLD, and consented to by TALK, in the form of Exhibit D attached hereto.

"TALK" means TALK.com, Inc.

2. Basic Transaction.

(a) Purchase and Sale of Assets. On and subject to the terms and conditions of this Agreement, INET agrees to purchase from GLD, and GLD agrees to sell, transfer, convey, and deliver to INET, all of the Acquired Assets at the Closing for the consideration specified in section 2(b). INET ACKNOWLEDGES AND AGREES THE ACQUIRED ASSETS ARE BEING CONVEYED "AS IS, WHERE IS." EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, SELLER MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, NO REPRESENTATIONS OR WARRANTIES AS TO THE CONDITION, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE ACQUIRED ASSETS. INET is not assuming any liabilities of GLD.

(b) Purchase Price. The Purchase Price shall be paid as follows:

(i) at the Closing, GLD will receive in cash or other immediately available funds from INET; and

(ii) at the Closing, GLD will receive a promissory note (the "Note") from INET in the form of Exhibit B attached hereto in the stated principal amount of

(c) Transfer of Acquired Assets. GLD is responsible for securing the transfer of the Acquired Assets for the use and benefit of INET, except for the licenses set forth on Schedule 5(b) attached hereto. The Acquired Assets are to be transferred to INET free and clear of any liens or encumbrances other than those identified in section 3(e) below.

(d) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place on the business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other date as the Parties may mutually determine (the "Closing Date"); provided, however, that the Closing Date shall be no later than with an effective date for the transfer of Acquired Assets of

(e) Deliveries at the Closing. At the Closing, (i) GLD will deliver to INET the various certificates, instruments, and documents referred to in section 6(a) below; (ii) INET will deliver to GLD the various certificates, instruments, and documents referred to in section 6(b) below; (iii) GLD will execute, acknowledge (if appropriate), and deliver to INET (A) assignments in the forms attached hereto as Exhibit C attached hereto and (B) such other instruments of sale, transfer, conveyance, and assignment as INET and its counsel reasonably may request; (iv) GLD and TALK will execute and deliver to INET a Services Agreement in the form of Exhibit D attached hereto; and (v) INET will deliver to GLD the consideration specified in section 2(b) above and INET will execute and deliver to GLD a Security Agreement in form and detail satisfactory to GLD (the "Security Agreement"), together with all UCC Financing Statements necessary to perfect GLD's security interest with respect to the Acquired Assets (the "Financing Statements").

(f) Non-Circumvent. So long as no default has occurred hereunder, under the Note or the Services Agreement and no other event has occurred which solely with the passage of time will result in a default hereunder or under the Note or the Services Agreement, from the Closing Date and for the following 36 months, GLD agrees that it will not solicit or provide any services to the Customer Base, directly or indirectly other than pursuant to the Services Agreement.

3. Representations and Warranties of GLD. GLD represents and warrants to INET that the statements contained in this section 3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this section 3), except as set forth in the disclosure schedule accompanying this Agreement and initialed by the Parties (the "Disclosure Schedule"). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this section 3.

(a) Organization of GLD. GLD is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation.

(b) Authorization of Transaction. GLD has full power and authority (including full corporate power and authority) to execute and deliver this Agreement and the Services Agreement and to perform its obligations hereunder and thereunder. This Agreement and the Services Agreement constitute valid and legally binding obligations of GLD, enforceable in accordance with their respective terms and conditions except as limited by bankruptcy, insolvency or similar laws of general application effecting the enforcement of creditors' rights generally and general principals of equity.

(c) Noncontravention. Neither the execution, delivery or performance of this Agreement or the Services Agreement, nor the consummation of the transactions contemplated hereby and thereby does or will, with or without the giving of notice or the passage of time, conflict with, result in or constitute a breach, default, right to accelerate or loss of rights under, or result in the creation of any lien, charge or encumbrance pursuant to any law, rule, regulation, statute, order, judgment or decree or any contract, agreement, lease, license or instrument to which GLD is a party or by which GLD or the Acquired Assets are bound or affected. Except as set forth in section 5(b) below, GLD does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency or other party in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. GLD has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which INET could become liable or obligated.

(e) Title to Assets. GLD has good and marketable title to all of the Acquired Assets, free and clear of any security interest or restriction on transfer.

(f) Legal Compliance. GLD has complied with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign governments (and all agencies thereof) the failure of which would have a material adverse impact on the Acquired Assets or the ability of GLD to consummate the transactions contemplated by this Agreement, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against it alleging any failure so to comply.

(g) Litigation. GLD is not subject to any outstanding injunction, judgment, order, decree, ruling or change that would adversely affect GLD's ability to consummate the transactions described herein and there is no action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator pending or, to GLD's knowledge, threatened, that if determined adversely would affect GLD's ability to consummate the transactions described herein.

(h) Customer Base. Each member of the Customer Base has been active for more than 90 days and the account may be transferred to INET under the terms of this Agreement.

4. Representations and Warranties of INET. INET represents and warrants to GLD that the statements contained in this section 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the

Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this section 4), except as set forth in the Disclosure Schedule. The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this section 4.

(a) Organization of INET. INET is a limited liability company duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization.

(b) Authorization of Transaction. INET has full power and authority (including full limited liability company power and authority) to execute and deliver this Agreement, the Note, the Security Agreement and the Services Agreement and to perform its obligations hereunder and thereunder. This Agreement, the Note, the Security Agreement and the Services Agreement constitute valid and legally binding obligations of INET, enforceable in accordance with their respective terms and conditions except as limited by bankruptcy, insolvency or similar laws of general application effecting the enforcement of creditors' rights generally and general principals of equity.

(c) Noncontravention. Neither the execution, delivery or performance of this Agreement, the Note, the Security Agreement or the Services Agreement, nor the consummation of the transactions contemplated hereby and thereby does or will, with or without the giving of notice or the passage of time, conflict with, result in or constitute a breach, default, right to accelerate or loss of rights under INET any law, rule, regulation, statute, order, judgment or decree or any contract, agreement, lease, license or instrument to which INET is a party or by which INET is bound. Except as set forth in section 5(b) below, INET does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency or other party in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. INET has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which GLD could become liable or obligated.

/ 5. Covenants. The Parties agree as follows:

(a) General. Each of the Parties will use its reasonable best efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in section 6 below).

(b) Notices and Consents. GLD agrees it will use its reasonable best efforts to assist INET in obtaining the necessary licenses with respect to

provision of telecommunication services to the Customer Base (and Schedule 5(b) attached hereto sets forth all of the licenses necessary with respect to provision of telecommunication services by GLD to the Customer Base) and GLD will give any notices to third parties and use its reasonable best efforts to obtain any third party consents that INET reasonably may request (including, without limitation, a consent from TALK with respect to this Agreement and the Services Agreement) in connection with the matters referred to in section 3(c) above. If an inability of INET for any reason to promptly obtain such licenses would impair INET's rights under the instrument in question so that INET would not in effect acquire the benefit of all rights of legal ownership of the Acquired Assets, GLD, to the maximum extent permitted by law and the license shall act as INET's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by law and the license, with INET in any other reasonable arrangement designed to provide such benefits to INET. Each of the Parties will give any notices to, make any filings with, and use its reasonable best efforts to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the matters referred to in section 3(c) and section 4(c) above.

(c) Operation of Business. Except as specifically set forth in this Agreement, GLD will not engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business with respect to the Acquired Assets from the date of this Agreement through the Closing.

(d) Full Access. GLD will permit representatives of INET to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of GLD, to all premises, properties, personnel, books, records (including tax records), contracts, and documents of or pertaining to the Acquired Assets. INET will treat and hold as such any Confidential Information it receives from GLD in the course of the reviews contemplated by this section 5(d), will not use any of the Confidential Information except in connection with this Agreement, and, if this Agreement is terminated for any reason whatsoever, will return to GLD all tangible embodiments (and all copies) of the Confidential Information which are in its possession.

(e) Notice of Developments. Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties in section 3 and section 4 above. No disclosure by any Party pursuant to this section 5(e), however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

(f) Transfer and Payment. INET will pay any transfer taxes, fees and other charges with respect to the transfer of the Acquired Assets.

(g) Non-Solicitation. Until such time as all of the necessary consents and approvals with respect to the transfer of the Acquired Assets have been obtained and INET has obtained all of the necessary licenses pursuant to section 5(b) above, INET agrees that it will not solicit or provide any services to the Customer Base, directly or indirectly other than through GLD pursuant to the Services Agreement.

(h) Legal Opinion. Within 180 days after Closing, GLD's counsel shall deliver to INET a legal opinion in form, detail and content satisfactory to INET and INET's counsel relating to the matters set forth in sections 3(a), (b), (c), (f) and (g) above.

(i) Customer Base. Upon the earlier of (i) 180 days after Closing or (ii) such time as all of the necessary consents and approvals with respect to the transfer of the Acquired Assets has been obtained and INET has obtained all of the necessary licenses pursuant to section 5(b) above, with GLD's assistance, INET shall have obtained from TALK a complete list of each customer comprising the Customer Base including, without limitation, each customer's name, address, telephone number and industry standard ANI.

6. Conditions to Obligation to Close.

(a) Conditions to Obligation of INET. The obligation of INET to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in section 3 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) GLD shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) GLD shall have procured all of the material third party consents specified in section 5(b) above and used its reasonable best efforts to obtain or assist INET in obtaining all necessary governmental agency approvals specified in section 5(b) above;

(iv) no action, suit, or proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement, (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, or (C) affect adversely the right of INET to own the Acquired Assets

or the ability of GLD to comply with its obligations under the Services Agreement (and no such injunction, judgment order, decree, ruling or charge shall be in effect);

(v) GLD shall have delivered to INET a certificate to the effect that each of the conditions specified above in section 6(a)(i)-(iv) is satisfied in all respects;

(vi) GLD shall have delivered to INET a duly executed copy of the Services Agreement; and

(vii) all actions to be taken by GLD in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to INET.

INET may waive any condition specified in this section 6(a) if it executes a writing so stating at or prior to the Closing.

(b) Conditions to Obligation of GLD. The obligation of GLD to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in section 4 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) INET shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) no action, suit, or proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement or (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(iv) INET shall have delivered to GLD a certificate to the effect that each of the conditions specified above in section 6(b)(i)-(iii) is satisfied in all respects;

(v) INET shall have delivered to GLD duly executed copies of the Note, the Security Agreement, the Financing Statements and the Services Agreement; and

(vi) all actions to be taken by INET in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to GLD.

GLD may waive any condition specified in this section 6(b) if it executes a writing so stating at or prior to the Closing.

7. Termination.

(a) Termination of Agreement. Certain of the Parties may terminate this Agreement as provided below:

(i) INET and GLD may terminate this Agreement by mutual written consent at any time prior to the Closing;

(ii) INET may terminate this Agreement by giving written notice to GLD at any time prior to the Closing (A) in the event GLD has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, INET has notified GLD of the breach, and the breach has continued without cure for a period of five (5) days after the notice of breach or (B) if the Closing shall not have occurred on or before _____, by reason of the failure of any condition precedent under section 6(a) hereof (unless the failure results primarily from INET itself breaching any representation, warranty, or covenant contained in this Agreement); and

(iii) GLD may terminate this Agreement by giving written notice to INET at any time prior to the Closing (A) in the event INET has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, GLD has notified INET of the breach, and the breach has continued without cure for a period of five (5) days after the notice of breach or (B) if the Closing shall not have occurred on or before _____ by reason of the failure of any condition precedent under section 6(b) hereof (unless the failure results primarily from GLD itself breaching any representation, warranty, or covenant contained in this Agreement).

(b) Effect of Termination. If any Party terminates this Agreement pursuant to section 7(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided, however, that the confidentiality provisions contained in section 5(e) above shall survive termination.

8. Miscellaneous.

(a) Survival of Representations and Warranties. All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing hereunder for a period of twelve months from the Closing Date.

(b) Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other Party; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use its reasonable best efforts to advise the other Party prior to making the disclosure).

(c) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that INET may (i) assign any or all of its rights and interests hereunder to one or more of its affiliates and (ii) designate one or more of its affiliates to perform its obligations hereunder (in any or all of which cases INET nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(f) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(g) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two

business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to GLD:

6600 North Andrews Ave.
Suite 140
Fort Lauderdale, FL 33309

Copy to:

Thomas R. Tatum
Brinkley, McNemery, Morgan, Soloman &
Tatum, LLP
Suite 1800
New River Center
Fort Lauderdale, FL 33301

If to INET:

1640 S. Sepulveda Blvd.
Suite 320

Los Angeles, CA 90025

Copy to:

Timothy G. Atkinson
Reinhart, Boerner, Van Deuren,
Norris & Rieselbach, P.C.
1775 Sherman Street, Suite 2100
Denver, CO 80203

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Florida without giving effect to any choice or conflict of law provision or rule.

(j) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(k) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

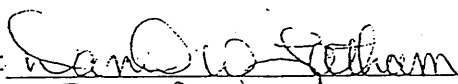
(l) Expenses. Each of the Parties will bear his or its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(m) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(n) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

INET INTERACTIVE NETWORK
SYSTEM, INC., a California corporation

By: 
Title: President

GROUP LONG DISTANCE, INC., a
Florida Corporation

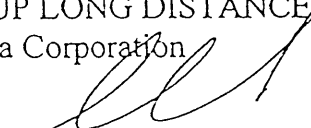
By: 
Title: PASSAFIUM

Exhibit "B"

Financial Information

COYOTE NETWORK SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Dollars In Thousands, Except Share Amounts)

Assets	December 31, 1999 (Unaudited)	March 31, 1999
Current assets:		
Cash and cash equivalents	\$ 613	\$ 1,225
Receivables (including deferred profit of \$9,295 at December 31, 1999) net of allowance of \$522 at December 31, 1999 and \$402 at March 31, 1999	19,976	10,092
Inventories	2,249	2,130
Notes receivable - current	12	2,367
Other current assets	<u>1,927</u>	<u>4,323</u>
Total current assets	24,777	20,137
Property and equipment, net	6,709	8,192
Capitalized software development	1,808	1,604
Intangible assets, net	5,075	5,620
Net assets of discontinued operations	—	234
Notes receivable - non-current	225	871
Investments	1,592	1,550
Other assets	<u>6,261</u>	<u>2,820</u>
	<u>\$ 46,447</u>	<u>\$ 41,028</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Lines of credit	\$ 1,414	\$ 1,133
Accounts payable	7,903	8,161
Deferred revenue and customer deposits	12,236	5,611
Accrued professional fees and litigation costs	158	676
Other accrued liabilities	3,645	3,900
Current portion of notes payable	2,898	584
Current portion of long-term debt and capital lease obligations	<u>863</u>	<u>731</u>
Total current liabilities	29,117	20,796
Notes payable	—	8,183
Long-term debt	1,464	1,534
Capital lease obligations	1,634	1,830
Customer deposits and other liabilities	6,086	2,628
Commitments and contingencies		
Shareholders' equity:		
Preferred stock - \$.01 par value: authorized 5,000,000 shares; issued 590 and 700 shares, liquidation preference of \$10,000 per share	5,900	7,255
Common stock - \$1 par value. Authorized 30,000,000 shares, issued 14,495,236 and 11,167,456 shares	14,495	11,167
Additional paid-in capital	117,981	109,394
Accumulated deficit	(124,473)	(116,002)
Treasury stock at cost	<u>(5,757)</u>	<u>(5,757)</u>
Total shareholders' equity	8,146	6,057
	<u>\$ 46,447</u>	<u>\$ 41,028</u>

COYOTE NETWORK SYSTEMS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)
(In Thousands, Except Per Share Amounts)

		<u>3 Months Ended</u>		<u>9 Months Ended</u>	
		<u>Dec. 31,</u>	<u>Dec. 31,</u>	<u>Dec. 31,</u>	<u>Dec. 31,</u>
		<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Net sales	- product	\$ 3,664	\$ 9,148	\$ 17,279	\$ 30,656
	- software engineering	300	---	300	---
	- long distance services	<u>2,858</u>	<u>3,783</u>	<u>7,166</u>	<u>4,632</u>
	Total	<u>6,822</u>	<u>12,931</u>	<u>24,745</u>	<u>35,288</u>
Cost of sales	- product	3,541	6,755	13,715	18,232
	- software engineering	200	---	200	---
	- long distance services	<u>2,578</u>	<u>3,481</u>	<u>6,090</u>	<u>4,533</u>
	Total	<u>6,319</u>	<u>10,236</u>	<u>20,005</u>	<u>22,765</u>
Gross profit	- product	123	2,393	3,564	12,424
	- software engineering	100	---	100	---
	- long distance services	<u>280</u>	<u>302</u>	<u>1,076</u>	<u>99</u>
	Total	<u>503</u>	<u>2,695</u>	<u>4,740</u>	<u>12,523</u>
Selling and administrative expenses		3,397	3,968	12,071	10,063
Engineering, research and development		<u>1,752</u>	<u>2,595</u>	<u>5,916</u>	<u>6,963</u>
Total operating expenses		<u>5,149</u>	<u>6,563</u>	<u>17,987</u>	<u>17,026</u>
Operating loss		(4,646)	(3,868)	(13,247)	(4,503)
Interest expense		(197)	(221)	(1,031)	(263)
Non-operating income (expense)		<u>(271)</u>	<u>(105)</u>	<u>6,121</u>	<u>(985)</u>
Loss from continuing operations		(5,114)	(4,194)	(8,157)	(5,751)
Loss from discontinued operations		---	---	(314)	(900)
Net loss		<u>\$ (5,114)</u>	<u>\$ (4,194)</u>	<u>\$ (8,471)</u>	<u>\$ (6,651)</u>
Loss per common share (basic & diluted):					
Continuing operations		\$ (.39)	\$ (.41)	\$ (.66)	\$ (.60)
Discontinued operations		---	---	(.03)	(.09)
Net loss per common share (basic & diluted)		<u>\$ (.39)</u>	<u>\$ (.41)</u>	<u>\$ (.69)</u>	<u>\$ (.69)</u>
Weighted average number of common shares outstanding (basic & diluted)		<u>13,257</u>	<u>10,216</u>	<u>12,308</u>	<u>9,604</u>

Exhibit "C"

Customer Notice

EXHIBIT C

[Sample Customer Notice]

NOTICE

Group Long Distance, Inc. ("GLD") and INET Interactive Network System, Inc. ("INET") are pleased to announce that your account with GLD will be acquired by INET. GLD will continue to service your account for a limited time through a service agreement with INET. INET will ultimately operate and service you in the same professional and quality manner and there will be no change in the rates or services that you presently receive. You have a choice of carriers. If you do not wish to be a customer of INET, you may change carriers. If you have any questions, please contact INET customer service at _____.